

D.P.U. 95-3A

Application of Commonwealth Electric Company:

- (1) under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. No. 275, for approval by the Department of Public Utilities of a change in the quarterly Fuel Charge to be billed to the Company's customers pursuant to meter readings in the billing months of April, May, and June 1995.
- (2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. No. 251. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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FOR: COMMONWEALTH ELECTRIC COMPANY
Petitioner

I. INTRODUCTION

On March 6, 1995, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Commonwealth Electric Company ("Commonwealth" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 275, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 251. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of April, May and June 1995.

Commonwealth, a wholly owned subsidiary of Commonwealth Energy System ("ComEnergy") serves approximately 258,000 retail customers in 38 cities and towns in southeastern Massachusetts, on Cape Cod and on Martha's Vineyard. ComEnergy is an exempt holding company under the Public Utility Holding Company Act of 1935. ComEnergy's other subsidiaries, affiliates of Commonwealth, include Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"),¹ Commonwealth Gas Company and Commonwealth Energy Service Company ("ComEnergy Service"). Commonwealth operates several small oil/gas-fired generating units and has contractual interests in Pilgrim 1, Yankee Rowe and Point Lepreau nuclear units. The Company also has contractual interests in Canal Unit 1 and Canal Unit 2, two large oil-fired units operated by the Company's affiliate, Canal.

Pursuant to notice duly issued, a public hearing on the Company's application was held on March 28, 1995, at the Department's offices in Boston. Notice of the hearing was published by the Company in the New Bedford Times, the Cape Cod Times and the Boston Globe. The

¹ The electric operating subsidiaries are referred to collectively as "ComElectric."

Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it was proposing an adjustment to its fuel charge. The Company was also required to inform all intervenors of the date of the public hearing.

At the hearing, the Company sponsored two witnesses: Charles R. Fox, Jr., senior rate analyst in rate administration at ComEnergy Service; and Michael R. Kirkwood, manager of power supply administration for ComElectric. The Company submitted five exhibits: the prefiled testimony of Mr. Fox (Exh. CEC-1); schedules in support of Mr. Fox's testimony (Exh. CEC-2); bills and contracts for fuel oil supplies, purchased power, and transmission services for December 1994, and January and February 1995 (Exh. CEC-3); the prefiled testimony of Mr. Kirkwood (Exh. CEC-4); and schedules in support of Mr. Kirkwood's testimony (Exh. CEC-5). The evidentiary record also includes the Company's response to one record request.

II. FUEL CHARGE

On March 21, 1995, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for April, May and June 1995. For these billing months, the Company proposes a fuel charge of \$0.06500 per kilowatt hour ("KWH") pursuant to the fuel charge stabilization plan ("stabilization plan") approved in Commonwealth Electric Company, D.P.U. 94-3A (1994) ("D.P.U. 94-3A") (Exh. CEC-1, at 7). Any variations from the fuel charge of \$0.06500 per KWH will be reconciled both annually and as part of the four-year reconciliation under the stabilization plan.² D.P.U. 94-

3A at 5.

Commonwealth's reconciliation adjustment is projected to increase by \$2,075,785 from the prior period reconciliation adjustment (Exh. CEC-1, at 6). In addition, the Company's retail expense in the current filing is projected to be \$1,980,420 lower than the projected retail expense in the previous quarter (Exh. CEC-2, at Sch. 1); D.P.U. 94-3D, at Table 1.

In regard to the reconciliation adjustment, the Company indicated that there is an estimated undercollection of \$2,586,716 in the current filing (Exh. CEC-2, at Sch. 1) compared to an estimated undercollection of \$510,930 in the previous quarter. D.P.U. 94-3D at Table 1. According to Mr. Fox, the increase in the undercollection was caused mainly by sales being approximately 4 percent lower than forecasted in D.P.U. 94-3D (Tr. at 27-28).

According to the Company, the most significant reasons why its retail expense is projected to be lower are the net effect of (1) a projected increase of \$869,200 in purchased power demand and transmission costs, and (2) a projected decrease of \$3,420,600 in energy costs (Exh. CEC-1, at 6). The reasons for the projected increase in purchased power demand and transmission costs, according to the Company, are (1) anticipated higher demand costs from the SEMASS unit as a result of its anticipated increased availability; (2) demand costs related to the buyout of the Pepperell Power Associates Contract, which was approved by the Department on

² On April 1, 1994, the Department approved a fuel charge stabilization plan submitted jointly by the Company and the Attorney General of the Commonwealth. D.P.U. 94-3A at 12. Among other things, the plan permits the Company to establish a target maximum fuel charge rate of \$0.06500 per KWH for 1994 through 1996 (and \$0.06500 to \$0.06700 in 1997) by deferring any unrecovered fuel-related costs for those four years and recovering them over the following six years along with carrying charges. *Id.* at 4. The Company is prohibited from deferring more than \$16 million per year or \$40 million over the four year period. *Id.* at 5.

January 27, 1995; (3) increased demand costs resulting from an outage at the Vermont Yankee Nuclear Power Station that is anticipated to continue through April 26, 1995; and (4) higher demand costs to the Altresco-Pittsfield and Masspower units as a result of those units running at a higher than anticipated availability, leading to each unit receiving a bonus payment as specified under the terms of its contract (Tr. at 29-30). With regard to the energy costs, the Company stated that the most significant reasons for the projected decrease are (1) a forecasted decrease in energy sales; (2) decreased availability of Canal 1 as a result of an outage that is expected to continue until May 14, 1995; (3) termination of the Pepperell Power Associates Contract eliminating its availability; and (4) lower sales to NEPOOL (id. at 31-32).

The net effect of a lower projected retail expense and an increase in the reconciliation adjustment combined with an decrease of 145,604,000 in billed KWH sales from the previous quarter, would be a higher fuel charge rate (Exh. CEC-1 at 7). However, pursuant to the stabilization plan, the Company proposed to maintain a levelized fuel charge rate of \$0.06500. Accordingly, the Company will increase the amount in the stabilization deferral account by \$8,595,000 in order to maintain the Company's fuel charge decimal at \$0.06500 per KWH (Exh. CEC-2, at Sch. 2). The Company estimates that the total amount deferred, excluding carrying charges, as of the end of March 1995, is \$14,054,255 (id. at Sch. 2-A).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company proposed the following standard rates to be paid to QFs during April, May, and June 1995:

Energy Rates By Voltage Level (Dollars/KWH)

Voltage Level

<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>	
Primary	0.03184	0.02797	0.02900
Secondary	0.03307	0.02910	0.03016

(RR-DPU-1, at 1).

<u>Voltage Level</u>	<u>Short-Run Capacity Rates (Dollars/KWH)</u>
Primary	0.04879
Secondary	0.04962

(id. at 9).

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of April, May and June 1995, shall be \$0.06500 per KWH. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

2. that the QF power purchase rates for April, May and June 1995, shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Commonwealth Electric Company is authorized to put into effect a quarterly fuel charge of \$0.06500 per KWH pursuant to the fuel charge stabilization settlement approved in Commonwealth Electric Company, D.P.U. 94-3A (1994) and as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of April, May and June 1995, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for

the billing months of April, May and June 1995, shall be those set forth in the Table on Page 5 of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,

Kenneth Gordon, Chairman

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).